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# **Clarkston Town**

## **Review Financial Statements**

**June 30, 2005**

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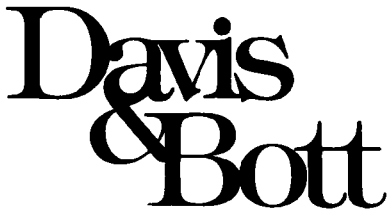
**Davis  
& Bott**

Certified Public Accountants, L.C.  
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Clarkston Town  
June 30, 2005

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The Mayor and Town Council  
Clarkston Town  
Clarkston, Utah 84305

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Clarkston, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Clarkston, Utah.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 8 and budgetary comparison information on page 29, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

A handwritten signature in cursive script, reading "Davis &amp; Bott", written over a horizontal line.

Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
December 22, 2005

**Clarkston Town**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

As management of Clarkston, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the Town exceeded its liabilities at June 30, 2005, by \$1,208,897. Of this amount, unrestricted net assets of \$170,883 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$42,626 over the prior year. Of this amount \$20,929 was associated with governmental and \$21,697 with business-type activities.
- C. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$220,368, a decrease of \$12,286 in comparison with the prior year. Of this amount, \$128,171 is unreserved and \$92,197 has been reserved due to legal restrictions involving parties outside the financial reporting entity.
- D. At the end of the current fiscal year, unreserved fund balance for the general fund was \$128,171, or 51 percent of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

*See Accountants' Report*

**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, streets and public improvements, sanitation, parks and cemetery. The business-type activities of the Town consist of culinary water.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

*See Accountants' Report*

**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and perpetual care fund. Both are considered major funds.

The Town adopts a one-year budget for the general fund. A budgetary comparison schedule has been provided.

**Proprietary Funds.** The Town maintains only one type of proprietary fund; namely, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water utility fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a fuller understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the Town's assets exceeded liabilities by \$1,208,897. By far the largest portion of the Town's net assets (78 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

*See Accountants' Report*

**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Clarkston Town's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 245,097	\$ 254,467	\$ 48,727	\$ 55,961	\$ 293,824	\$ 310,428
Capital assets	<u>188,855</u>	<u>186,466</u>	<u>750,962</u>	<u>723,756</u>	<u>939,817</u>	<u>910,222</u>
Total assets	<u>433,952</u>	<u>440,933</u>	<u>799,689</u>	<u>779,717</u>	<u>1,233,641</u>	<u>1,220,650</u>
Other liabilities	24,729	21,813	15	1,740	24,744	23,553
Long-term liabilities	<u>-</u>	<u>30,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,826</u>
Total liabilities	<u>24,729</u>	<u>52,639</u>	<u>15</u>	<u>1,740</u>	<u>24,744</u>	<u>54,379</u>
Net assets:						
Investment in capital assets, net of related debt	188,855	155,640	750,962	723,756	939,817	879,396
Restricted	92,197	86,078	6,000	4,500	98,197	90,578
Unrestricted	<u>128,171</u>	<u>146,576</u>	<u>42,712</u>	<u>49,721</u>	<u>170,883</u>	<u>196,297</u>
Total net assets	<u>\$ 409,223</u>	<u>\$ 388,294</u>	<u>\$ 799,674</u>	<u>\$ 777,977</u>	<u>\$ 1,208,897</u>	<u>\$ 1,166,271</u>

The restricted portion of the net assets \$98,197 (8 percent) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets \$170,883 (14 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities.

See Accountants' Report

**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Clarkston Town's Changes In Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 108,543	\$ 112,567	\$ 75,515	\$ 83,390	\$ 184,058	\$ 195,957
Operating grants and contributions	37,913	43,883	1,500	-	39,413	43,883
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	25,268	15,848	-	-	25,268	15,848
Other taxes	53,369	49,288	-	-	53,369	49,288
Other	<u>3,158</u>	<u>3,689</u>	<u>1,174</u>	<u>21</u>	<u>4,332</u>	<u>3,710</u>
Total revenues	<u>228,251</u>	<u>225,275</u>	<u>78,189</u>	<u>83,411</u>	<u>306,440</u>	<u>308,686</u>
Expenses:						
General government	67,021	71,709	-	-	67,021	71,709
Public safety	24,248	27,482	-	-	24,248	27,482
Streets and public improvements	37,420	26,299	-	-	37,420	26,299
Parks and cemetery	48,309	50,138	-	-	48,309	50,138
Sanitation	30,324	31,150	-	-	30,324	31,150
Interest on long-debt	-	2,502	-	-	-	2,502
Water utility	<u>-</u>	<u>-</u>	<u>56,492</u>	<u>37,185</u>	<u>56,492</u>	<u>37,185</u>
Total expenses	<u>207,322</u>	<u>209,280</u>	<u>56,492</u>	<u>37,185</u>	<u>263,814</u>	<u>246,465</u>
Increase (decrease) in net assets	20,929	15,995	21,697	46,226	42,626	62,221
Net assets-beginning	<u>388,294</u>	<u>372,299</u>	<u>777,977</u>	<u>731,751</u>	<u>1,166,271</u>	<u>1,104,050</u>
Net assets-ending	<u>\$ 409,223</u>	<u>\$ 388,294</u>	<u>\$ 799,674</u>	<u>\$ 777,977</u>	<u>\$ 1,208,897</u>	<u>\$ 1,166,271</u>

See Accountants' Report



**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Governmental and Business-Type Activities.** Governmental activities increased the Town's net assets by \$20,929. When combined with the \$21,697 increase in net assets from business-type activities, overall net assets increased by \$42,626 or 4 percent.

The increase in governmental net assets is mainly due to increased property taxes. The increase in the business-type activities is lower than in prior years is mainly due to an increase in repairs and maintenance expense.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the Town's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$128,171. The total general fund balance represents 51 percent of total general fund expenditures. The fund balance of the Town's general fund decreased by \$18,405 during the current fiscal year. This decrease was mainly due to advances from the water fund to help pay off debt.

The perpetual care fund increased mainly due to new burial plot purchases. The water utility fund's net assets increased by \$21,697. This was lower than the prior year due mainly to an increase in repairs and maintenance expense.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget for fiscal year 2005 was modified in an effort to reflect the income and actual costs incurred by the Town. This modification occurred due to expenditures exceeding the Town's initial expectations. Included in the budget were small increases in revenue. Expenditures increased in the general government highways and public improvements, and parks and cemetery. Expenditures decreased in public safety and sanitation.

*See Accountants' Report*

**Clarkston Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's capital assets for its governmental and business-type activities at June 30, 2005, amounted to \$939,817 (net of accumulated depreciation). The assets include land, buildings, improvements and equipment. The total increase in the Town's net capital assets for the current fiscal year was \$29,595 (an increase of 1 percent for governmental activities and an increase of 4 percent for business-type activities).

**Clarkston Town's Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 39,321	\$ 29,246	\$ 1,000	\$ 1,000	\$ 40,321	\$ 30,246
Buildings	72,559	76,839	-	-	72,559	76,839
Improvements other than buildings	-	-	737,287	722,756	737,287	722,756
Equipment	<u>76,975</u>	<u>80,381</u>	<u>12,675</u>	<u>-</u>	<u>89,650</u>	<u>80,381</u>
Net capital assets	<u>\$188,855</u>	<u>\$186,466</u>	<u>\$750,962</u>	<u>\$723,756</u>	<u>\$939,817</u>	<u>\$910,222</u>

Additional information on the Town's capital assets can be found in Note 3 on pages 25 and 26 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town has applied for a grant from CDBG in hopes of securing funds for a new fire station. The Town would use \$50,000 of its own savings and \$150,000 from the grant with the remainder to be obtained from a Utah Rural Development loan.

*See Accountants' Report*

**Clarkston Town**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$194,710	\$ 38,950	\$ 233,660
Accounts receivable - net	4,842	9,777	14,619
Property taxes receivable	20,658	-	20,658
Sales taxes receivable	18,717	-	18,717
B&C road receivable	6,170	-	6,170
Capital assets (net of accumulated depreciation)			
Buildings	72,559	-	72,559
Equipment	76,975	12,675	89,650
Improvements	-	737,287	737,287
Land	39,321	1,000	40,321
Total assets	<u>433,952</u>	<u>799,689</u>	<u>1,233,641</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,071	15	4,086
Deferred revenue	20,658	-	20,658
Total liabilities	<u>24,729</u>	<u>15</u>	<u>24,744</u>
NET ASSETS			
Invested in capital assets, net of related debt	188,855	750,962	939,817
Restricted for:			
Perpetual care	92,197	-	92,197
Impact fees	-	6,000	6,000
Unrestricted	128,171	42,712	170,883
Total net assets	<u>\$409,223</u>	<u>\$799,674</u>	<u>\$1,208,897</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental							
activities:							
General government	\$ 67,021	\$ 25,740	\$ -	\$ -	\$ (41,281)	\$ -	\$ (41,281)
Public safety	24,248	11,643	2,668	-	(9,937)	-	(9,937)
Streets and public improvements	37,420	-	30,605	-	(6,815)	-	(6,815)
Sanitation	30,324	31,452	-	-	1,128	-	1,128
Parks and cemetery	48,309	39,708	4,640	-	(3,961)	-	(3,961)
	<u>207,322</u>	<u>108,543</u>	<u>37,913</u>	<u>-</u>	<u>(60,866)</u>	<u>-</u>	<u>(60,866)</u>
Business-type							
activities:							
Water utility	56,492	75,515	1,500	-	-	20,523	20,523
Total primary government activities	<u>\$ 263,814</u>	<u>\$ 184,058</u>	<u>\$ 39,413</u>	<u>\$ -</u>	<u>(60,866)</u>	<u>20,523</u>	<u>(40,343)</u>
General revenues:							
Property taxes					25,268	-	25,268
General sales and use taxes					50,752	-	50,752
Franchise and other taxes					2,617	-	2,617
Sale of assets					(1,760)	-	(1,760)
Investment earnings					4,918	1,174	6,092
Total general revenues					<u>81,795</u>	<u>1,174</u>	<u>82,969</u>
Change in net assets					<u>20,929</u>	<u>21,697</u>	<u>42,626</u>
Net assets - beginning					<u>388,294</u>	<u>777,977</u>	<u>1,166,271</u>
Net assets - ending					<u>\$ 409,223</u>	<u>\$ 799,674</u>	<u>\$ 1,208,897</u>

See accompanying notes and Accountants' Report.

**Clarkston Town**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	General Fund	Perpetual Care Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$120,513	\$74,197	\$194,710
Receivables (net):			
Accounts receivable	4,842	-	4,842
Property tax	20,658	-	20,658
Sales tax	18,717	-	18,717
B&C roads	6,170	-	6,170
Interfund receivables	-	3,500	3,500
Advances to other funds	-	14,500	14,500
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$170,900</u>	<u>\$92,197</u>	<u>\$263,097</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,071	\$ -	\$ 4,071
Deferred revenue	20,658	-	20,658
Interfund payable	3,500	-	3,500
Advances from other funds	14,500	-	14,500
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>42,729</u>	<u>-</u>	<u>42,729</u>
Fund balances:			
Reserved for:			
Perpetual care	-	92,197	92,197
Unreserved	128,171	-	128,171
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>128,171</u>	<u>92,197</u>	<u>220,368</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$170,900</u>	<u>\$92,197</u>	<u>\$263,097</u>

*See accompanying notes and Accountants' Report.*

Clarkston Town  
Reconciliation of the Balance Sheet of the Governmental  
Funds to the Statement of Net Assets  
June 30, 2005

Total fund balances - governmental fund types	\$ 220,368
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Amounts reported for governmental  
activities in the statement of net  
assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>188,855</u>
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Net assets of government activities	<u>\$ 409,223</u>
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*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances - Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Perpetual Care Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 78,637	\$ -	\$ 78,637
Licenses and permits	2,095	-	2,095
Intergovernmental	38,834	-	38,834
Charges for services	76,651	4,550	81,201
Fines and forfeitures	21,960	-	21,960
Miscellaneous	13,526	1,569	15,095
Total revenues	<u>231,703</u>	<u>6,119</u>	<u>237,822</u>
Expenditures:			
Current:			
General government	74,663	-	74,663
Public safety	22,196	-	22,196
Streets and public improvements	49,641	-	49,641
Sanitation	30,324	-	30,324
Parks and cemetery	42,041	-	42,041
Debt service			
Principal	30,826	-	30,826
Interest	417	-	417
Total expenditures	<u>250,108</u>	<u>-</u>	<u>250,108</u>
Excess (deficiency) of revenues over expenditures	<u>(18,405)</u>	<u>6,119</u>	<u>(12,286)</u>
Fund balance at beginning of year	<u>146,576</u>	<u>86,078</u>	<u>232,654</u>
Fund balance at end of year	<u>\$128,171</u>	<u>\$92,197</u>	<u>\$220,368</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of the Governmental**  
**Funds to the Statement of Activities**  
**June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (12,286)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	11,960
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Reporting debt principal payments in the statement of net assets as reductions of liabilities instead of expenditures.	30,826
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Basis of asset sold	<u>(9,571)</u>
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Change in net assets of governmental activities	<u>\$ 20,929</u>
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*See accompanying notes and Accountants' Report.*



**Clarkston Town**  
**Statement of Net Assets - Proprietary Fund**  
**June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 38,950
Receivables, net	<u>9,777</u>
Total current assets	<u>48,727</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Equipment	12,675
Improvements	737,287
Land	<u>1,000</u>
Total noncurrent assets	<u>750,962</u>
Total assets	<u>799,689</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>15</u>
Total current liabilities	<u>15</u>
NET ASSETS	
Invested in capital assets, net of related debt	750,962
Restricted for:	
Impact fees	6,000
Unrestricted	<u>42,712</u>
Total net assets	<u>\$ 799,674</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Assets - Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Operating revenues:	
Water sales	\$ 74,215
Connection fees	<u>1,300</u>
Total operating revenues	75,515
Operating expenses:	
Fees and service	10,112
Repairs and maintenance	11,414
Salaries and wages	10,333
Utilities	1,126
Depreciation	23,507
Bad debt expense	<u>-</u>
Total operating expenses	56,492
Operating income	<u>19,023</u>
Nonoperating revenues:	
Impact fees	1,500
Interest income	<u>1,174</u>
Total nonoperating revenues	<u>2,674</u>
Change in net assets	21,697
Total net assets - beginning	<u>777,977</u>
Total net assets - ending	<u>\$ 799,674</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Cash flows from operating activities:	
Receipts from customers	\$ 75,203
Payments to suppliers	(24,378)
Payments to employees	<u>(10,333)</u>
Net cash provided by operating activities	<u>40,492</u>
Cash flows from capital and related financing activities:	
Purchases and construction of capital assets	(50,712)
Impact fees	<u>1,500</u>
Net cash used in capital and related financing activities	<u>(49,212)</u>
Cash flows from investing activities:	
Interest earnings	<u>1,174</u>
Net cash provided by investing activities	<u>1,174</u>
Net decrease in cash and cash equivalents	(7,546)
Cash and cash equivalents - beginning	<u>46,496</u>
Cash and cash equivalents - end	<u>\$ 38,950</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Statement of Cash Flows - Proprietary Fund (Continued)**  
**For the Year Ended June 30, 2005**

	<u>Water Utility</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>19,023</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	23,507
Change in assets and liabilities:	
Receivables, net	(312)
Accounts and other payables	<u>(1,726)</u>
 Net cash provided by operating activities	 \$ <u>40,492</u>

*See accompanying notes and Accountants' Report.*

**Clarkston Town**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Town of Clarkston, Utah, is governed by an elected mayor and a four member council. These financial statements are presented in accordance with generally accepted accounting principles. Clarkston, Utah, is not a component unit of any other entity, nor does it have any component units for which the government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

*See Accountants' Report*

**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

*See Accountants' Report*

**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The **perpetual care** fund is used to report resources legally restricted to the extent that only earnings may be used for purposes to support the Town's cemetery.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has only one proprietary fund, the water utility fund, which delivers culinary water to Town citizens.

*See Accountants' Report*

**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Equity

*i. Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently the only investing is done with the State Treasurer's Investment Pool.

*ii. Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

*iii. Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems, and lighting system, placed in service prior to June 30, 2003, have not been capitalized.

All capital assets purchased or acquired with an original cost of \$2,500 or more are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets.

*See Accountants' Report*



**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 - 40 years
Water system	50 years
Equipment	5 - 10 years

**E. Restricted Net Assets**

It is the policy of the Town that when an expense can be applied against restricted or unrestricted net assets, that it be applied first to restricted assets.

**F. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Budget and Budgetary Accounting**

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

**NOTE 2. CASH AND INVESTMENTS**

At year end, the government's carrying amount of deposits was \$3,295 and the bank balance was \$40,995. Of the bank balance, 100 percent was covered by federal depository insurance.

*See Accountants' Report*

Clarkston Town  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 2. CASH AND INVESTMENTS (Continued)

Statutes authorize Clarkston Town to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records and the State Treasurer's Investment Pool. Investments in the State Treasurer's Investment Pool are unrated for credit risk purposes.

	<u>Carrying Amount</u>	<u>Market Value</u>
State Treasurer's Investment Pool (Uninsured and unregistered)	<u>230,365</u>	<u>230,400</u>
Total investments	<u>\$ 230,365</u>	<u>\$ 230,400</u>

See Accountants' Report

Clarkston Town  
Notes to Financial Statements (Continued)  
June 30, 2005

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities:**

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 29,246	\$10,075	\$ -	\$ 39,321
Capital assets being depreciated:				
Buildings	112,173	-	-	112,173
Equipment	<u>174,455</u>	<u>20,063</u>	<u>11,963</u>	<u>182,555</u>
Total capital assets being depreciated	<u>286,628</u>	<u>20,063</u>	<u>11,963</u>	<u>294,728</u>
Less accumulated depreciation:				
Buildings	35,334	4,279	-	39,613
Equipment	<u>94,080</u>	<u>13,893</u>	<u>2,392</u>	<u>105,581</u>
Total accumulated depreciation	129,414	18,172	2,392	145,194
Total capital assets being depreciated - net	<u>157,214</u>	<u>1,891</u>	<u>9,571</u>	<u>149,534</u>
Governmental activities capital assets - net	<u>\$ 186,460</u>	<u>\$11,966</u>	<u>\$ 9,571</u>	<u>\$ 188,855</u>

See Accountants' Report

**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 3. CAPITAL ASSETS (Continued)**

**Business-Type Activities:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital assets being depreciated:				
Equipment	1,311	14,498	-	15,809
Improvements	<u>1,084,178</u>	<u>36,215</u>	<u>-</u>	<u>1,120,393</u>
Total capital assets being depreciated	<u>1,085,489</u>	<u>50,713</u>	<u>-</u>	<u>1,136,202</u>
Less accumulated depreciation:				
Equipment	1,311	1,823	-	3,134
Improvements	<u>361,422</u>	<u>21,684</u>	<u>-</u>	<u>383,106</u>
Total accumulated depreciation	<u>362,733</u>	<u>23,507</u>	<u>-</u>	<u>386,240</u>
Total capital assets being depreciated - net	<u>722,756</u>	<u>27,206</u>	<u>-</u>	<u>749,962</u>
Business type activities capital assets - net	<u>\$ 723,756</u>	<u>\$27,206</u>	<u>\$ -</u>	<u>\$ 750,962</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$ 2,428
Public safety	2,052
Highways and public improvements	7,424
Parks and recreation	<u>6,268</u>
Total depreciation expense governmental activities	<u>\$ 18,172</u>

See Accountants' Report

**Clarkston Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 4. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within sixty days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 5. RISK MANAGEMENT**

Clarkston, Utah, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to persons providing services to the Town; and natural disasters. All general liability, real property, vehicles, including heavy equipment, and injuries to persons providing services to the Town are insured through the Utah Local Government Trust. Settled claims have not exceeded the Town's insurance. For insured programs, there have been no significant reductions in insurance coverage.

**NOTE 6. RESTRICTED NET ASSETS/RESERVED FUND EQUITY**

Restricted net assets and reserved fund balances represent monies required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved equity balances at June 30, 2005:

**Perpetual Care Fund:**

Perpetual care reserve	\$92,197
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**Water Fund:**

Impact fees	\$6,000
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The Town assesses impact fees for water improvements as allowed by state law. Impact fees represent fees assessed by the Town for future capital improvements. These fees are not intended to recover impact costs for growth in areas not assessed by the Town. The Town reports as restricted net assets and reserved fund balance the excess of the impact fees collected over the uses for identified projects.

*See Accountants' Report*

Clarkston Town  
Notes to Financial Statements (Continued)  
June 30, 2005

**NOTE 7. INTERFUND PAYABLES, RECEIVABLES**

Interfund balances of the Town were done mainly to help pay off long-term debt on equipment in the general fund. Because both of the funds are governmental funds, they net to zero and do not show up in the government-wide statements. The balances consist of the following at June 30, 2005:

**Interfund receivable/payable:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Perpetual care	\$3,500

**Advances to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Perpetual care	\$14,500

See Accountants' Report

**REQUIRED SUPPLEMENTARY INFORMATION**

**Clarkston Town**  
**Budgetary Comparison Schedule - General Fund (Unaudited)**  
**June 30, 2005**

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 66,800	\$ 68,617	\$ 78,637	\$ 10,020
Licenses and permits	2,420	2,120	2,095	(25)
Intergovernmental	44,510	44,340	38,834	(5,506)
Charges for services	73,550	81,760	76,651	(5,109)
Fines and forfeitures	25,000	21,000	21,960	960
Miscellaneous	<u>1,000</u>	<u>6,600</u>	<u>13,526</u>	<u>6,926</u>
Total revenues	<u>213,280</u>	<u>224,437</u>	<u>231,703</u>	<u>7,266</u>
Expenditures:				
General government	73,650	83,895	74,663	9,232
Public safety	24,300	23,600	22,196	1,404
Streets and public works	39,300	50,292	49,641	651
Sanitation	35,200	30,500	30,324	176
Parks and cemetery	40,830	45,725	42,041	3,684
Debt service:				
Principal	-	30,826	30,826	-
Interest	<u>-</u>	<u>417</u>	<u>417</u>	<u>-</u>
Total expenditures	<u>213,280</u>	<u>265,255</u>	<u>250,108</u>	<u>15,147</u>
Excess of revenues over (under) expenditures	-	(40,818)	(18,405)	22,413
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>40,818</u>	<u>-</u>	<u>(40,818)</u>
Excess of revenues and other sources over expenditures and other uses	-	-	(18,405)	(18,405)
Fund balance at beginning of year	<u>146,576</u>	<u>146,576</u>	<u>146,576</u>	<u>-</u>
Fund balance at end of year	<u>\$146,576</u>	<u>\$146,576</u>	<u>\$128,171</u>	<u>\$ (18,405)</u>

See Accountants' Report